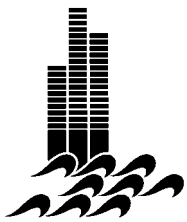


## **Attachment 6**

### **CalPERS Contribution History**



Date: December 12, 2002

To: Gerald R. Miller, Acting City Manager

From: Bob Torrez, CFO/Director of Financial Management

Subject: **CalPERS Contribution History**

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Per your request, attached is a series of graphs that depict for both Safety and Miscellaneous Employees, total payroll subject to CalPERS retirement contributions, as well as the amounts of CalPERS contributions made by employees and the City from 1979 through 2002.

The amounts reflected in the graphs have been restated to June 30 fiscal years, because CalPERS contributions are based on the State's fiscal year (July 1 through June 30), and to avoid the spike that would be reflected for the 15 months of FY 1996, the year the City changed to a September 30 fiscal year.

The red portion of the columns represents the amount of Employer contributions (ER contributions). The blue portion of the columns represents the amount of Employee-paid contributions (EE contributions) – 7% for Miscellaneous and 9% for Safety. The yellow portion represents the amount of Employer Paid Member Contributions (EPMC) and demonstrates that the City began paying the employees' share of PERS during FY 1981. The green portion on the Miscellaneous schedule is the debt service on the Pension Obligation Bonds (POB's).

#### **KEY PENSION EVENTS**

- 6/1/80: The City changed both Miscellaneous and Safety plans to provide a 5% COLA. The effect was to increase the ER contribution rate for Miscellaneous from 19.16% to 31.89% (an increase of 66.4%), and for Safety from 33.08% to 58.84% (an increase of 78%) effective 7/1/80.
- 11/29/80: Employee Memoranda of Understanding (MOU's) required the City to pick up 4 of the 7% Miscellaneous EE contribution, and 4 of the 9% Safety EE Contribution. The EPMC percent increased over time until the City was paying the full EE contributions.
- 10/1/89: The City negotiated Tier 2 benefit levels for new employees, which provided for a 2% annual COLA and a pension benefit based on three year average salary, instead of the 5% COLA with a pension benefit based on the highest one year salary. In addition, for Safety Tier 2 plans, the formula was reduced to a 2%

@ 55 plan, rather than the 2% @ 50 plan, with a promise to upgrade the Safety Tier 2 formula to 2% @ 50 within ten years.

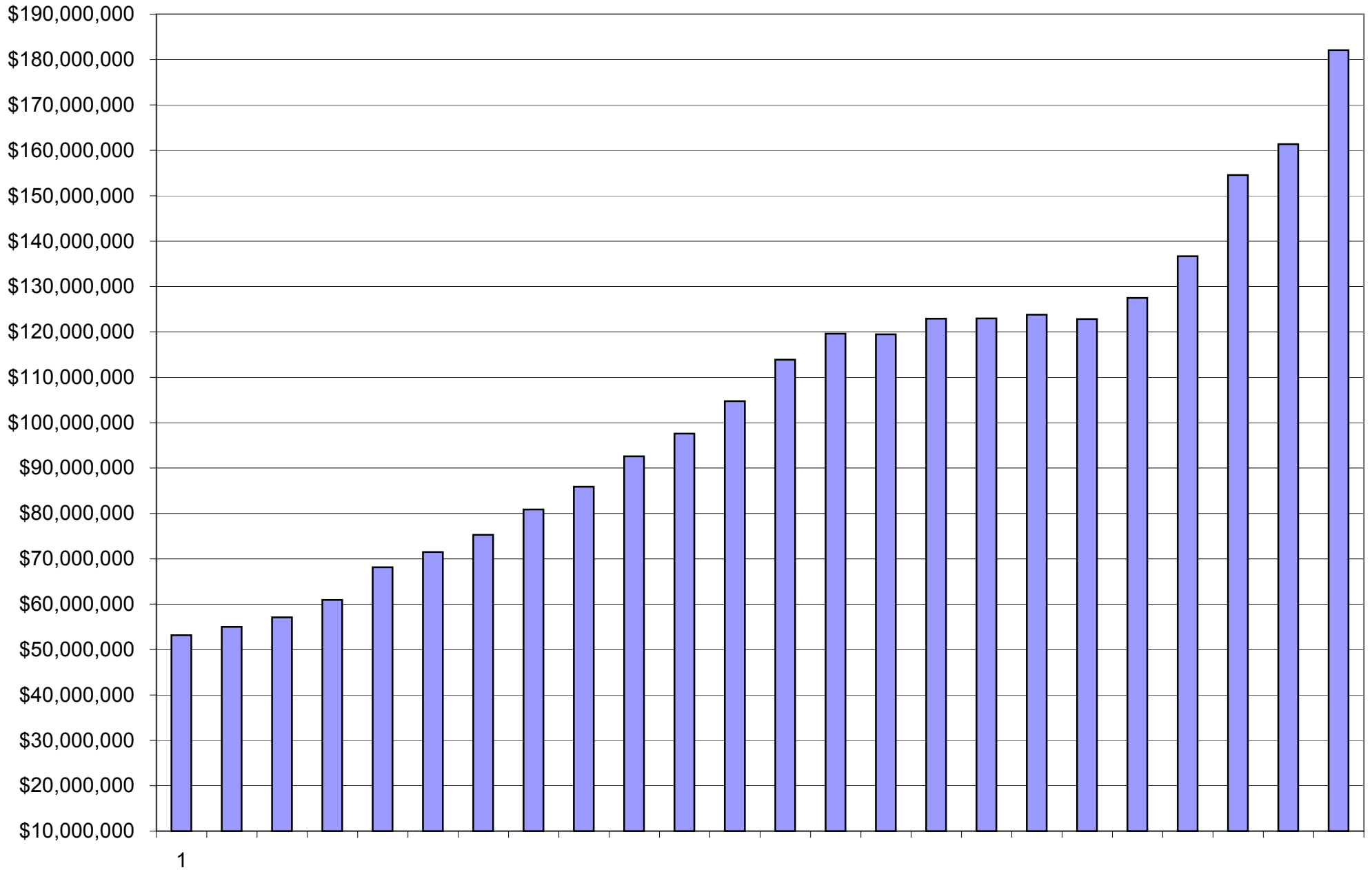
- FY 1995: City staff convinced CalPERS to change its actuarial calculations to provide for a rolling amortization period for gains and losses, instead of “drop-dead” funding deadlines. Prior to this change, the City’s contract with PERS called for all plans to be fully funded by 2011. The result of this “drop-dead” funding deadline was to significantly increase or decrease ER contributions depending on whether the City’s PERS plans experienced large losses or gains from actuarial assumptions during the previous valuation period. The effect of going to a rolling amortization period was to significantly decrease the required annual ER contributions, by spreading the annual gains and losses over a 10 year period.
- 11/95: The City issued \$108 million in Pension Obligation Bonds (1995 POB’s) to fund the \$105 million unfunded liability in the Miscellaneous plan. Because the bonds required that debt service be pre-funded each year, the first year of debt payments, FY 1996, reflects the amounts due on both September 1, 1995 as well as September 1, 1996, both of which were paid on September 1, 1995.
- FY 1996 and 1997: CalPERS notified the City of an actuarial surplus in the Safety Plans. The law at that time allowed the City to offset its contributions by a total of \$22.8 million over the two fiscal years, thus significantly reducing Safety ER and EPMC contributions.
- 6/96: The City increased Miscellaneous benefits for Tiers 1 and 2 to a 2% @ 55 formula to encourage early retirement. In addition, Tier 3 was established to provide the 2% @ 60 formula for Miscellaneous employees hired after 6/30/96. Both Tiers 2 and 3 provided for a 2% COLA and benefits based on a three-year average salary. Tier 1 retained the 5% COLA and highest year’s salary.
- 9/30/98 (Fire and Lifeguards) and 7/1/01 (Police): The City increased Safety Tier 2 PERS benefits to 2% @ 50, based on the highest one-year salary from 2% @ 55 based on the three-year average salary. Tier 2 level benefits retained the annual 2% COLA.
- 11/13/98: The City was notified by CalPERS that the City’s PERS plans were “superfunded”. The City stopped making ER contributions beginning with the payperiod ending 11/6/98 for both Safety and Miscellaneous Plans.
- 7/2/99: The City stopped making EPMC contribution payments effective with the payperiod ending 7/2/99, because of the City’s superfunded status. At this point, no further PERS contributions were made; however, debt service on the 1995 POB’s for Miscellaneous Plans continued.

- August and October 2001: The City increased Safety benefits in both Tiers to 3% @ 50. Tier 2 benefits retain the 2% COLA; Tier 1 benefits continued with the 5% COLA.
- June 2002: Miscellaneous benefits for Tiers 1 through 3 increased to 2.7% @ 55. Tier 3 was eliminated. Tier 2 retains 2% COLA and three-year average salary basis. Tier 1 retains 5% COLA and highest one-year salary basis.
- In FY 2002, the City refunded a portion of the 1995 POB's to provide a level debt service for the General Fund and certain related funds, such as Internal Service Funds. The effect was a reduction in the annual POB debt service and an extension in the term of the bonds from 2011 to 2021.
- April and October 2002: City staff notified the City Council that the City's PERS plans would no longer be superfunded effective in FY 2005 due to CalPERS investment losses from FY 2001 and 2002.

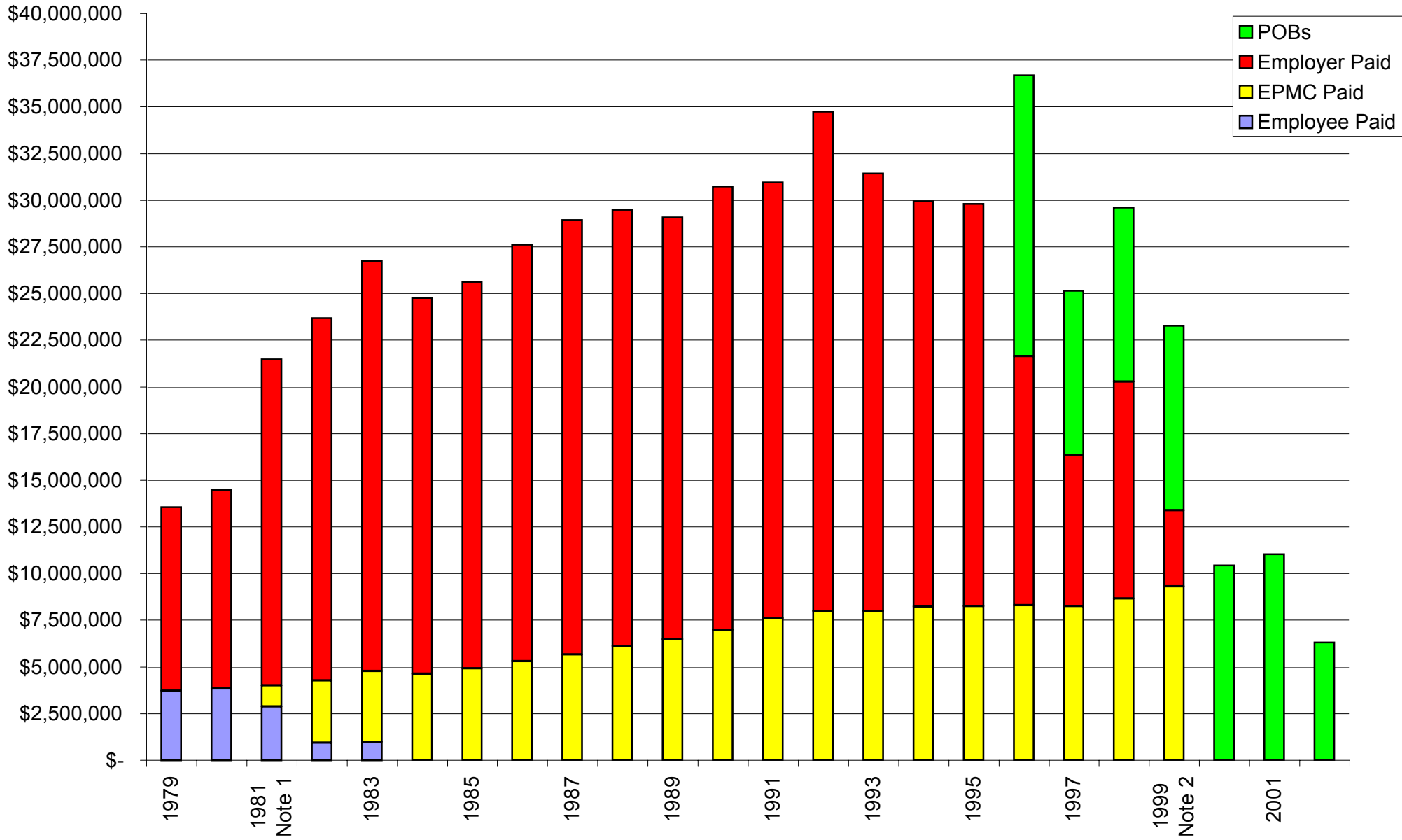
#### Attachments

cc: Christine F. Shippey, Deputy City Manager  
Reginald I. Harrison, Deputy City Manager  
Suzanne Mason, Acting Deputy City Manager  
Kevin Boylan, Acting Director of Human Resources  
Mike Killebrew, Budget Manager/Assistant City Controller

**Total Miscellaneous Payroll Subject to PERS - 1979 Through 2002**



CITY OF LONG BEACH  
MISCELLANEOUS EMPLOYEES  
TOTAL CalPERS CONTRIBUTIONS AND POB DEBT SERVICE PAYMENTS  
STATE FYE June 30, 1979 THROUGH June 30, 2002



**Notes to Miscellaneous Table**

NOTE 1: Employee contribution not quite 7% likely due to the exclusion from wages for FICA of \$133/mo/employee.

EPMC History: 11/29/80, City 4%, EE's 3%; 6/27/81 - City 6%, EE's 1%; 7/9/83 - City full 7% for misc. ee's.

Also, FY 81 contributions reflect the 6/1/80 amendment to provide 5% COLA for all safety and miscellaneous employees.

**NOTE 2: City went superfunded for Employer rates beginning with payday 11/13/98 (payperiod 11/6/98). Thus no payments were made to PERS for Employer Contris from Nov. 1998 on**

**NOTE 3: City went superfunded for Employee rates beginning 7/2/99. Thus no payments were made to PERS for Employee Contris from July 1999 on.**

NOTE 4: Effective 10/89, City established 2nd tier of benefits. 2%@60, 2% COLA, 3 yr average salary.

Effective FY 96, City increased Tier 1 & 2 benefits to 2%@55. Tier 1 still has 5% COLA & highest yr salary; Tier 2 has 2% COLA & 3 yr ave. salary.

Created Tier 3: 2%@60, 2% COLA, 3 yr ave. salary. Effective ~8/10/01, Tier 3 benefits were increased to Tier 2 benefit levels (2@55, 2% COLA, 3yr average), and Tier 3 was terminated.

NOTE 5: In 1996, City changed its fiscal year to 9/30. 1996 had a 15 month year. For purposes of this analysis, the 1996 numbers have been converted to 12 months ending 6/30/96.

All subsequent numbers are 12 months as of 6/30, which is the PERS fiscal year.

NOTE 6: POB's issued in Fall 1995. In August 2002, the City refunded a portion of the 1995 POBs to provide level debt service for certain funds.

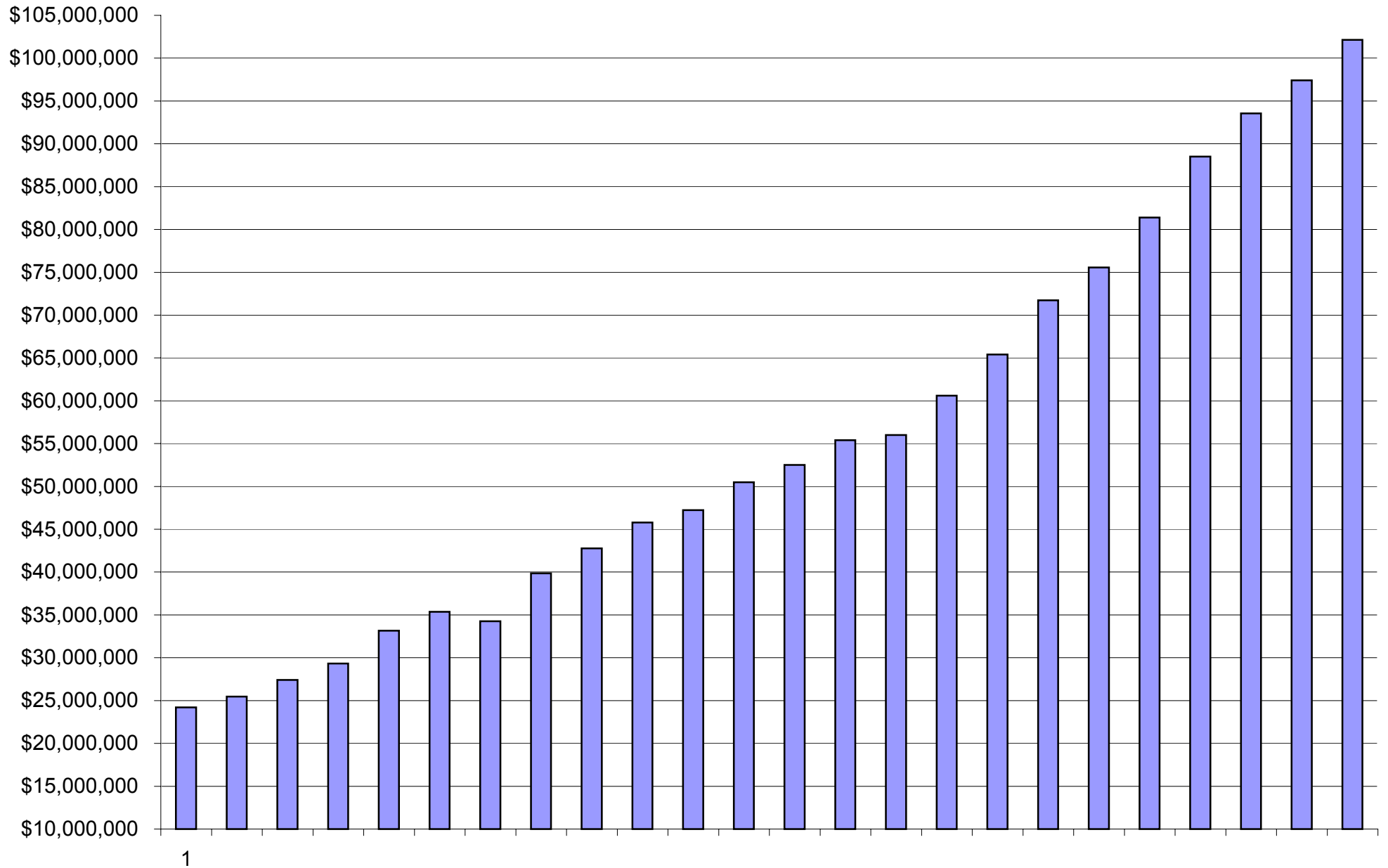
The result was a decrease in the debt service for the General Fund and related Internal Service and other funds. Approximately \$24million of the 1995 POBs are still outstanding, mainly for the Port and other enterprise operations that did not want to extend the debt service maturity.

**The 1st year of the 1995 Pension Obligation Bond Payments was \$15mm because the City was required by the bond issue to make 2 fiscal year payments up front.**

**The Bond payments are made on a prepaid basis.**

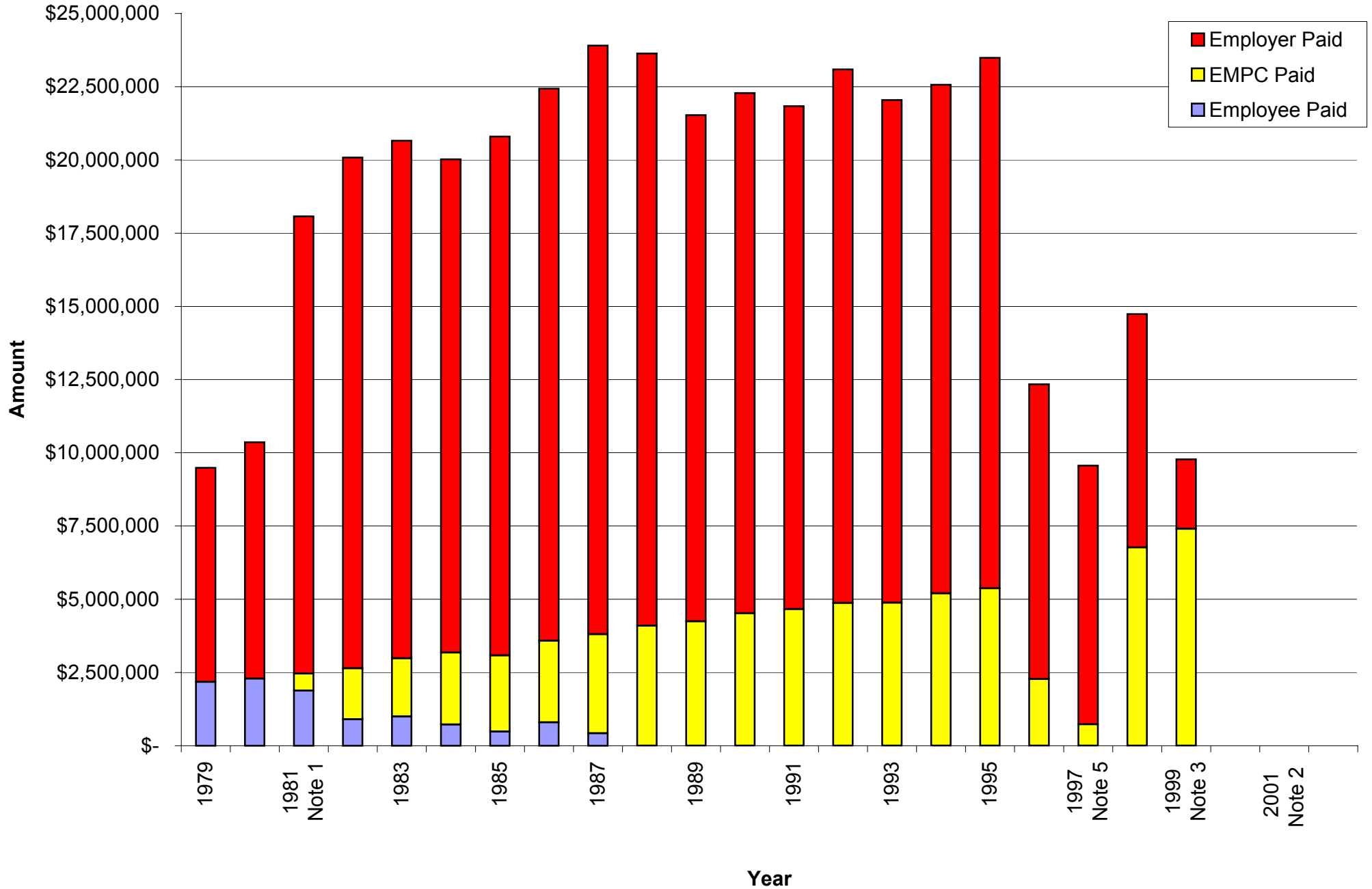
**NOTE 7: Effective 8/24/02, City increased Misc benefits to 2.7% @ 55 for Tiers 1 & 2. Tier 1 retains 5% COLA; Tier 2 retains 2% COLA**

## Total Safety Payroll Subject to PERS - 1979 Through 2002





CITY OF LONG BEACH  
SAFETY EMPLOYEES  
TOTAL CalPERS CONTRIBUTIONS  
STATE FYE June 30, 1979 THROUGH June 30, 2002



**Notes to Safety Table**

- NOTE 1: City EPMC history: 11/29/80 - City 4%, EE's 5%; 6/27/81 - City 6%, EE's 3%; 7/9/83 - City 7%, EE's 2%; 7/5/86 - City 8%, EE's 1%; 7/4/87 - City full 9%  
Also, FY 81 contributions reflect the 6/1/80 amendment to provide 5% COLA for all safety and miscellaneous employees.
- NOTE 2: In 10/89, City negotiated Tier 2 level of benefits for all Safety. Plan called for 2% @ 55, 2% COLA, 3 yr average salary.  
Effective 9/30/98 PERS Contract was amended to provide Tier 2 Fire & Lifeguards with Tier 1 PERS benefits, except for the 5% COLA.  
Effective 7/1/2001 PERS Contract was amended to provide Tier 2 Police with Tier 1 PERS benefits, except for the 5% COLA.  
Safety PERS benefits increased to 3% @ 50 effective 8/01 for Police, and 11/01 for Fire and Lifeguards. Tier 1 retained 5% COLA; Tier 2 retained 2% COLA
- NOTE 3: **City went superfunded for Employer rates beginning with payday 11/13/98 (payperiod 11/6/98). Thus no payments were made to PERS for Employer Contris from Nov. 1998 on. City went superfunded for Employee rates beginning 7/2/99. Thus no payments were made to PERS for Employee Contris from July 1999 on.**
- NOTE 4: In 1996, City changed its fiscal year to 9/30. 1996 had a 15 month year. For purposes of this analysis, the 1996 numbers have been converted to 12 months ending 6/30/96.  
All subsequent numbers are 12 months as of 6/30, which is the PERS fiscal year.
- NOTE 5: Beginning in FYE '96, the Safety Plan began experiencing surpluses, which by law were eligible for offset against employer contributions. During FY 6/30/96, the City reduced its employer contributions by \$8,893,400.  
During fye 6/30/97, the City deducted an additional surplus of \$13,887,814, including the \$2.6mm balance of the FY 96 surplus, from Safety PERS contributions.